

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 INR-07 NSAE-00 PA-02

RSC-01 USIA-15 PRS-01 SP-02 FEA-01 AEC-07 AID-05

CEA-01 CIEP-02 COME-00 EB-07 FPC-01 H-02 INT-05 L-02

NSC-05 OMB-01 PM-03 SAM-01 OES-05 SS-15 STR-04

TRSE-00 FRB-01 /109 W

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R 171752Z JAN 75

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 5428

INFO AMCONSUL CALGARY UNN

AMCONSUL TORONTO UNN

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EO 11652 NA

TAGS ENRG CA

SUBJ ENERGY: SYNCRUDE PROJECT

1. MORNING PRESS (JANUARY 17) PROMINENTLY REPORTS JANUARY 16 TORONTO NEWS CONFERENCE CONVENED BY CHIEF EXECUTIVES OF THREE REMAINING SYNCRUDE PARTNERS (IMPERIAL 30 PERCENT), CITIES SERVICE (30 PERCENT), AND GULF (10 PERCENT)) AND SYNCRUDE PRESIDENT SPRAGINS. STATED PURPOSE OF CONFERENCE WAS "TO SET THE RECORD STRAIGHT ON THE STATUS OF THE PROJECT". TO THIS END FOLLOWING POINTS WERE MADE:

(A) PROJECTED COST OF PROJECT HAS RISEN TO \$2 BILLION.

(B) FOR PROJECT TO PROCEED, SYNCRUDE REQUIRES ADDITIONAL PARTNERS, FEDERAL TAX CONCESSIONS, GUARANTEES THAT PRODUCTION WOULD NOT BE LIMITED, AND COMMITMENT THAT SYNCRUDE WOULD BE ALLOWED TO SELL OIL AT WORLD PRICES.

(C) IF THESE CONDITIONS MET, THREE EXISTING PARTNERS COULD PROVIDE 50 PERCENT OF PROJECT COST, LEAVING \$1 BILLION SHORTFALL WITHOUT WHICH THE PROJECT WOULD HAVE TO BE TERMINATED. (\$1 BILLION

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FROM EXISTING PARTNERS WOULD REPORTEDLY BE

ACHIEVED BY DOUBLING OF GULF'S PARTICIPATION AND AN ADDITIONAL \$100 TO \$150 MILLION FROM IMPERIAL. CITIES SERVICE, ON OTHER HAND, WOULD LIKE TO REDUCE ITS ORIGINAL COMMITMENT OF \$300 MILLION IF IT COULD FIND PARTNER; OTHERWISE, IT HAS PLEDGED TO MAINTAIN ITS OBLIGATION AS PLANNED.) (D) IMPERIAL CHAIRMAN ARMSTRONG EMPHASIZED THAT "WE ARE SAYING WE DO NOT HAVE THE CASH FLOW TO FINANCE THE PLANT AND NOT THAT IT'S NOT ECONOMICALLY VIABLE".

2. REPORTS FROM VARIETY OF SOURCES INDICATE THAT TEXACO CANADA HAS NOW RULED OUT POSSIBLE PARTICIPATION, BUT THAT SHELL CANADA IS SERIOUSLY CONSIDERING JOINING THE CONSORTIUM, ALTHOUGH AT THE EXPENSE OF ABANDONING ITS OWN PROJECT FROM WHICH ITS 50 PERCENT PARTNER (SHELL EXPLORER OF TEXAS) WITHDREW SEVERAL MONTHS AGO. IN ADDITION, IT IS RUMORED THAT THE PROVINCE OF ONTARIO MAY MAKE DECISION WITHIN NEXT TEN DAYS ON ITS POSSIBLE PARTICIPATION IN SYNCRUDE.

3. IN RELATED DEVELOPMENT, IMPERIAL AND GULF HAVE FILED CIVIL SUITS IN ALBERTA TALLING \$325 MILLION AGAINST ATLANTIC RICHFIELD FOR BREACH OF CONTRACT OCCASIONED BY ITS WITHDRAWAL OF ITS 30 PERCENT SHARE IN SYNCRUDE AND CITIES SERVICE HAS SAID IT ALSO HAS PLANS TO FILE A SIMILAR SUIT.
PORTER

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